

**CITY OF WILDER, KENTUCKY**

**JUNE 30, 2019**

***AUDITED FINANCIAL STATEMENTS***



**MADDOX & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

## TABLE OF CONTENTS

<b>Independent Auditors' Report .....</b>	<b>1 - 2</b>
<b>Management's Discussion and Analysis .....</b>	<b>3 - 5</b>
<b>Basic Financial Statements</b>	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position .....	6
Statement of Activities .....	7
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Fund .....	8
Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position .....	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund .....	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund to the Statement of Activities .....	11
<b>Notes to the Financial Statements .....</b>	<b>12 - 29</b>
<b>Supplementary Information</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	30
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Municipal Road Aid Fund .....	31
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Civic Center Fund .....	32
Multiple Employer, Cost Sharing, Defined Benefit Plan Pension Disclosure .....	33 - 34
Multiple Employer, Cost Sharing, Defined Benefit Plan OPEB Disclosure .....	35 - 36
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....</b>	
	<b>37 - 38</b>



**MADDOX & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REPORT**

City of Wilder, Kentucky  
520 Licking Pike  
Wilder, KY 41071

To the Honorable Mayor  
and Members of City Council

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Wilder, Kentucky (City) as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Wilder, Kentucky, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison, and pension information, as listed in the table of contents, to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basis financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

**Maddox & Associates CPAs Inc.**

Fort Thomas, Kentucky

October 31, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of City of Wilder, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the City's basic financial statements.

## FINANCIAL HIGHLIGHTS

The City's governmental funds fund balance was \$2,657,772 at year end, a decrease of \$294,252 from the prior year. The City's cash balance was \$2,058,118 at year end, an increase of \$5,624 from the prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net position and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position, the difference between assets and liabilities, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base, license fee base, and the condition of the City's capital assets (roads, buildings, and sidewalks) to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, the City has only governmental activities:

Governmental activities: the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. License fees, property taxes, and state and federal grants finance most of these activities.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes (Ex. Civic Center Fund) or to show that it is meeting legal responsibilities for grant funds (Ex. Municipal Road Aid Fund).

*Governmental funds:* Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in reconciliation beside the fund financial statements.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

For the year ended June 30, 2019, net position changed as follows:

Beginning net position	\$ 5,522,176
Prior period adjustment	(1,610,684)
Change in net position	<u>(1,013,044)</u>
Ending net position	<u>\$ 2,898,448</u>

	2019	2018
Current assets	\$ 2,893,089	\$ 3,114,539
Capital assets	<u>6,845,638</u>	<u>6,638,168</u>
Total assets	9,738,727	9,752,707
Deferred outflows of resources	2,603,858	2,623,492
Current liabilities	296,864	216,300
Net pension liability	6,263,210	
Net OPEB liability	<u>1,844,741</u>	<u>6,239,939</u>
Total liabilities	8,404,815	6,456,239
Deferred inflows of resources	<u>1,039,322</u>	<u>397,784</u>
Net position	<u>\$ 2,898,448</u>	<u>\$ 5,522,176</u>

#### GENERAL FUND BUDGETARY HIGHLIGHTS AND FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Actual revenues were \$548,716 more than budget and actual expenditures were \$10,107 less than budget.

The following schedule presents a summary of governmental fund revenues and expenditure for the fiscal years ended June 30, 2019 and 2018.

Revenues	2019	2018
Taxes	\$ 2,145,546	\$ 2,052,854
Licenses and permits	2,398,873	2,212,088
Intergovernmental	161,494	185,651
Charges for services	98,685	94,634
Fines and forfeitures	3,313	869
Interest income	10,695	5,585
Other revenue	122,676	155,372
Total revenues	<u>\$ 4,941,282</u>	<u>\$ 4,707,053</u>
Expenditures		
General government	\$ 1,216,611	\$ 960,614
Police	1,270,445	1,117,995
Fire	1,429,675	1,396,457
Public works	272,481	235,670
Recreation	37,449	29,800
Capital outlay	1,008,873	617,960
Total expenditures	<u>\$ 5,235,534</u>	<u>\$ 4,358,496</u>

#### **CAPITAL ASSETS**

At the end of June 30, 2019, the City had \$11,296,489 invested in capital assets including police and fire equipment, buildings, park facilities, roads, and sidewalks.

	2019	2018
Land	\$ 1,678,397	\$ 1,359,911
Investment in joint venture	112,191	112,191
Buildings	3,594,347	3,594,347
Infrastructure	3,022,527	3,004,357
Vehicles	1,615,070	1,500,079
Equipment	1,273,957	1,212,210
Total capital assets	<u>\$ 11,296,489</u>	<u>\$ 10,783,095</u>

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide for all those with an interest in the government's finances, a general overview of the City's finances. If you have questions about this report or requests for additional financial information, contact the City Administrator's office at 520 Licking Pike, Wilder, Kentucky 41071.

City of Wilder, Kentucky  
Statement of Net Position  
June 30, 2019

	Primary Government	
	Governmental Activities	Total
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,892,647	\$ 1,892,647
Restricted cash	165,471	165,471
<b>Receivables:</b>		
Taxes	171,702	171,702
Accounts	615,525	615,525
Assessment	15,316	15,316
Intergovernmental	16,564	16,564
Interest	10,805	10,805
Prepaid expenses	5,059	5,059
Capital assets, net of depreciation	6,845,638	6,845,638
<b>Total assets</b>	<b>9,738,727</b>	<b>9,738,727</b>
<b>Deferred outflows of resources</b>		
Related to pensions	1,913,121	1,913,121
Related to OPEB	690,737	690,737
<b>Total deferred outflows of resources</b>	<b>2,603,858</b>	<b>2,603,858</b>
<b>Total assets and deferred outflows of resources</b>	<b>12,342,585</b>	<b>12,342,585</b>
<b>Liabilities:</b>		
Accounts payable	105,610	105,610
Payroll related liabilities	120,661	120,661
Compensated absences	70,593	70,593
Net pension liability	6,263,210	6,263,210
Net OPEB liability	1,844,741	1,844,741
<b>Total liabilities</b>	<b>8,404,815</b>	<b>8,404,815</b>
<b>Deferred inflows of resources</b>		
Related to pensions	561,539	561,539
Related to OPEB	477,783	477,783
<b>Total deferred inflows of resources</b>	<b>1,039,322</b>	<b>1,039,322</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>9,444,137</b>	<b>9,444,137</b>
<b>Net position:</b>		
Net investment in capital assets	6,845,638	6,845,638
Restricted	165,471	165,471
Unrestricted	(4,112,661)	(4,112,661)
<b>Total net position</b>	<b>\$ 2,898,448</b>	<b>\$ 2,898,448</b>

See accompanying notes



City of Wilder, Kentucky  
Statement of Activities  
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,331,323	\$ 98,685	\$ 6,764	\$ 0
Police	1,348,670		59,583	
Fire	1,525,004		33,195	
Public works	798,923		61,952	
Recreation	39,952			
Change in pension	897,397			
Change in OPEB	10,711			
Total governmental activities	5,951,980	98,685	161,494	0
Total primary government	\$ 5,951,980	\$ 98,685	\$ 161,494	\$ 0
General revenues:				
Taxes				2,132,397
Licenses and permits				2,398,873
Fines and forfeitures				3,313
Other revenues				122,676
Investment income				14,827
Total general revenues				4,672,086
Change in net position				(1,019,715)
Net position - beginning as restated				3,918,163
Net position - ending				\$ 2,898,448

See accompanying notes

City of Wilder, Kentucky  
Balance Sheet  
Governmental Funds  
June 30, 2019

	General Fund	Municipal Road Aid Fund	Civic Center Fund	Fire Fund	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 878,042	\$	\$ 813,138	\$ 201,467	\$ 1,892,647
Restricted cash		165,471			165,471
Receivables:					
Taxes	177,375				177,375
Assessment	15,315				15,315
Licenses	615,525				615,525
Intergovernmental	10,817	5,747			16,564
Prepaid expenditure	5,059				5,059
<b>Total assets</b>	<b>\$ 1,702,133</b>	<b>\$ 171,218</b>	<b>\$ 813,138</b>	<b>\$ 201,467</b>	<b>\$ 2,887,956</b>
<b>Liabilities:</b>					
Accounts payable	\$ 105,610	\$	\$	\$	\$ 105,610
Payroll liabilities	120,660				120,660
Deferred revenue	3,914				3,914
<b>Total liabilities</b>	<b>230,184</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>230,184</b>
Committed				201,467	201,467
Restricted		171,218			171,218
Unassigned	1,471,949		813,138		2,285,087
<b>Total fund balances</b>	<b>1,471,949</b>	<b>171,218</b>	<b>813,138</b>	<b>201,467</b>	<b>2,657,772</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,702,133</b>	<b>\$ 171,218</b>	<b>\$ 813,138</b>	<b>\$ 201,467</b>	<b>\$ 2,887,956</b>

See accompanying notes

City of Wilder, Kentucky  
Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2019

Total governmental fund balances	\$ 2,657,772
----------------------------------	--------------

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,845,638
--	-----------

Some assets are not currently available and are therefore not reported in the funds	9,046
--	-------

Long-term liabilities are not due and payable in the current period  
and therefore are not reported in the funds.

Compensated absences	(70,593)
Net deferred outflows and inflows associated with pension and OPEB	1,564,536
Net pension liability	(6,263,210)
Net OPEB liability	(1,844,741)

Net position of governmental activities	<u>\$ 2,898,448</u>
---	---------------------

See accompanying notes

City of Wilder, Kentucky  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2019

	General Fund	Municipal Road Aid Fund	Civic Center Fund	Fire Fund	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 2,145,546	\$	\$	\$	\$ 2,145,546
Licenses and permits	2,398,873				2,398,873
Intergovernmental	99,542	61,952			161,494
Charges for services	98,685				98,685
Fines and forfeitures	3,313				3,313
Interest income	1,216	271	8,773	435	10,695
Other revenue	122,676				122,676
<b>Total revenues</b>	<b>4,869,851</b>	<b>62,223</b>	<b>8,773</b>	<b>435</b>	<b>4,941,282</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	1,216,611				1,216,611
Public safety - police	1,270,445				1,270,445
Public safety - fire	1,428,277			1,398	1,429,675
Public works	272,481				272,481
Recreation	37,449				37,449
Capital outlay	935,765			73,108	1,008,873
<b>Total expenditures</b>	<b>5,161,028</b>	<b>0</b>	<b>0</b>	<b>74,506</b>	<b>5,235,534</b>
<b>Deficiency of revenues over expenditures</b>	<b>(291,177)</b>	<b>62,223</b>	<b>8,773</b>	<b>(74,071)</b>	<b>(294,252)</b>
<b>Other financing sources (uses):</b>					
Transfers in	0			56,500	56,500
Transfers out	(56,500)				(56,500)
<b>Total other financing sources (uses)</b>	<b>(56,500)</b>	<b>0</b>	<b>0</b>	<b>56,500</b>	<b>0</b>
<b>Net change in fund balances</b>	<b>(347,677)</b>	<b>62,223</b>	<b>8,773</b>	<b>(17,571)</b>	<b>(294,252)</b>
<b>Fund balances - beginning as restated</b>	<b>1,819,626</b>	<b>108,995</b>	<b>804,365</b>	<b>219,038</b>	<b>2,952,024</b>
<b>Fund balances - ending</b>	<b>\$ 1,471,949</b>	<b>\$ 171,218</b>	<b>\$ 813,138</b>	<b>\$ 201,467</b>	<b>\$ 2,657,772</b>

See accompanying notes

City of Wilder, Kentucky  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ (294,252)

Amounts reported for governmental activities in the statement of  
activities are different because:

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated  
over their estimated useful lives and reported as depreciation expense.

Capital outlay	513,395
Depreciation expense	(305,924)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds	(9,017)
---	---------

Expenses reported in the statement of activities that do not require current financial resources are not reported as expenses in the funds	
Compensated absences	(15,809)

Governmental funds report pension contribution as expenditures. However, in the statement of activities, the cost of pension and OPEB benefits earned is reported as an expense	(908,108)
---	-----------

Change in net position of governmental activities	<u>\$ (1,019,715)</u>
---	-----------------------

See accompanying notes

## **NOTE 1 – ACCOUNTING POLICIES**

Kentucky Revised Statutes and Ordinances of the City Council of the City of Wilder, Kentucky (City) designate the purpose, function and restrictions of the various funds.

### **A. The Reporting Entity**

The City operates under a City Council government comprised of the Mayor and six council members. The financial statements of the City include all of the funds for which the Mayor and City Council are financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards was determined on the basis of the City's ability to significantly influence operations, select the governing authority, participate in fiscal management, and the scope of public services. The City has no component units or entities for which the government is considered to be financially accountable.

### **B. Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-Wide Financial Statements** – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements** – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to determine legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

### **C. Fund Accounting**

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

**Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows, liabilities, and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

**General Fund** - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky.

**Municipal Road Aid Fund** – The municipal road aid fund accounts for the allocation of funds from the Commonwealth of Kentucky as provided in KRS 174 for design, right-of-way acquisitions, utilities, construction, and other municipal road aid expenditures.

**Civic Center Fund** – The civic center fund is a city designated fund used for savings purposes.

**Fire Fund** – The fire fund is a city designated fund for use in fire public safety.

### **D. Measurement Focus**

**Government-wide Financial Statements** – The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

**Fund Financial Statements** – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (e.g. revenues and other financing sources) and uses (e.g. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government – wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the financial statements for governmental funds.

### **E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual

and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and deferred outflows, and in the presentation of expenses versus expenditures.

**Revenues – Exchange and Nonexchange Transactions** - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, and grants. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, for which the City must provide local resources to be used for a specified purpose, and expenditure requirements, for which the resources are provided to the City on a reimbursement basis.

On the modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: state-levied locally shared taxes.

**Deferred Inflows of Resources and Deferred Outflows of Resources** – A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future operating period.

Taxes and assessments not received within the available period are recorded as deferred inflows in the governmental fund financial statements.

**Expenses/Expenditures** – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measureable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

#### **F. Budgetary Data**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with City code, prior to June 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- 2) Public hearings are conducted to obtain taxpayer comment.
- 3) Prior to June 30, the budget is legally enacted through passage of an ordinance.
- 4) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council



explaining any variance from the approved budget.

5) Appropriations continue in effect until a new budget is adopted.

6) The City Council may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the City Council.

#### **G. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

#### **H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. The City's infrastructure consists of sidewalks, streets, and traffic signals. Infrastructure acquired prior to the implementation of GASB Statement No. 34 has been reported.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000 with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value to the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 Years
Improvements	20 Years
Infrastructure	40 Years
Vehicles	7 Years
General equipment	7 Years

#### **I. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and retirement incentives that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that

they are due for payment during the current fiscal year. Bonds and capital lease obligations are recognized as a liability on the governmental fund financial statements when due.

#### **J. Interfund Balances**

On the fund financial statements, unpaid amounts for interfund services are reported as "due from/to other funds". These amounts are eliminated in the statement of net position.

#### **K. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

#### **L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable** – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

**Restricted** – Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**Committed** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council.

**Unassigned** – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used.

**M. Use of Estimates**

The preparation of financial statements in conformity GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

**N. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of programs to enhance the security of persons and property.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

**P. Subsequent Events**

The City evaluated subsequent events for potential recognition and disclosure through October 31, 2019, the date the financial statements were available to be issued.

**Q. Prior Period Adjustments**

The City restated its beginning fund balance and net assets to reflect the OPEB liability discussed in note 9 and reconciliations of miscellaneous asset and liability accounts.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the City's total cash and cash equivalents of \$1,892,647 was covered by Federal Deposit Insurance Corporation (FDIC) and by collateral agreements and collateral held by the pledging bank's trust department in the City's name.

*Custodial Credit Risk – Deposits.* For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City maintains deposits with financial institutions insured by the FDIC. As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times.

**NOTE 3 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2019 is summarized below:

	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Governmental activities				
Land	\$ 1,359,911	\$ 318,486	\$ -	\$ 1,678,397
Investment in joint venture	112,191			112,191
Buildings	3,594,347			3,594,347
Infrastructure and improvements	3,004,357	18,170		3,022,527
Vehicles	1,500,079	114,991		1,615,070
Equipment	1,212,210	61,747		1,273,957
Total capital assets	<u>10,783,095</u>	<u>513,394</u>	<u>-</u>	<u>11,296,489</u>
Accumulated depreciation				
Buildings	1,137,011	71,887	-	1,208,898
Infrastructure and improvements	920,909	107,530	-	1,028,439
Vehicles	954,928	95,225	-	1,050,153
Equipment	1,132,079	31,282	-	1,163,361
Total accumulated depreciation	<u>4,144,927</u>	<u>305,924</u>	<u>-</u>	<u>4,450,851</u>
Net governmental capital assets	<u>\$ 6,638,168</u>	<u>\$ 207,470</u>	<u>\$ -</u>	<u>\$ 6,845,638</u>

**NOTE 4 - COMPENSATED ABSENCES**

City employees earn vacation time based on length of service. Employees cannot opt for cash in lieu of time off. Employees also accrue sick days based on length of service. Sick days are not paid out at retirement or termination. At June 30, 2019, accrued compensated absences are \$70,593.

**NOTE 5 – CONTINGENCIES**

The City is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the City. In the opinion of City management, these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of this and similar cases has been made in the accompanying financial statements.

**NOTE 6 – RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the City as of June 30, 2019, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

**NOTE 7 – RETIREMENT PLANS**

The City is a participating employer of the County Employees' Retirement System (CERS) or (Plan). Under provision of Kentucky Revised Statue 61.645, the Board of Trustees of the Kentucky Retirement System administers the CERS. The Kentucky Retirement System issues a publicly available financial reports that may be downloaded from their website.

*Plan description* – CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county, city, and school board and any additional eligible local agencies electing to participate in the Plan. The Plan is divided into a Pension Plan and Health Insurance Fund Plan (Other Post-Employment Benefits; OPEB) and each plan is further divided based on Nonhazardous duty and Hazardous duty covered employee classifications.

*Contributions –*

*Employees* - For the year ended June 30, 2019 nonhazardous covered employees are required to contribute 5% of wages and hazardous covered employees are required to contribute 8% of wages to the plan. Employees who begin participation on or after September 1, 2008 are required to contribute an additional 1%.

*Employers* - For the year ended June 30, 2019 participating employers contributed 21.48% of wages for nonhazardous covered employees, of which 16.22% was for the Pension Plan and 5.26% was for the Health Insurance Fund Plan. Employers contributed 35.34% of wages for hazardous covered employees of which 24.86% was for the Pension Plan and 10.47% was for the Health Insurance Fund Plan. The City made all required contributions for fiscal year in the amount of \$572,519 of which \$431,265 was for the Pension Plan and \$141,254 was for the Health Insurance Fund Plan.

*Benefits provided*—CERS provides retirement, health insurance, death, and disability benefits to employees and beneficiaries. Employees are vested in the plan after five years of service.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or Age 57+ with sum of service years plus age equal 87+
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old or Age 57+ with sum of service years plus age equal 87+
	Reduced retirement	Not available

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 2, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2019, the City reported a liability for its proportionate share of the net pension liability as follows:

Non hazardous	Hazardous	Total Net Pension Liability
\$ 531,927	\$ 5,731,283	\$ 6,263,210

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2018 was:

Non hazardous	Hazardous	Proportionate Share
0.009%	0.237%	0.067%

For the year ended June 30, 2019, the City recognized pension expense of \$86,832. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow	Nonhazardous Deferred Inflow	Net Deferral
Change in liability experience	\$ 17,350	\$ 7,786	
Change of assumptions	51,985	-	
Change in investment experience	24,735	31,113	
Change in proportionate share of contributions	-	17,582	
	94,070	\$ 56,481	\$ 37,589
Subsequent contributions	49,412		
Total	\$ 143,482		

CITY OF WILDER, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

	Hazardous		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 456,113		
Change of assumptions	610,076		
Change in investment experience	212,432	277,078	
Change in proportionate share of contributions	109,165	227,980	
	<u>1,387,786</u>	<u>\$ 505,058</u>	<u>\$ 882,728</u>
Subsequent contributions	381,853		
Total	<u>\$ 1,769,639</u>		

  

	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 473,463	\$ 7,786	
Change of assumptions	662,061	-	
Change in investment experience	237,167	308,191	
Change in proportionate share of contributions	109,165	245,562	
	<u>1,481,856</u>	<u>\$ 561,539</u>	<u>\$ 920,317</u>
Subsequent contributions	431,265		
Total	<u>\$ 1,913,121</u>		

The contributions subsequent to the measurement date of \$431,265 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. The net deferral of \$920,317 will be recognized as pension expense as follows:

Year ending June 30	Net Deferral
2020	\$ 741,312
2021	278,678
2022	(70,936)
2023	(28,737)
	<u>\$ 920,317</u>



*Actuarial assumptions*—The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2016
Experience study	July 1, 2008 – June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	27 years, closed
Payroll growth rate	4.00%
Asset valuation method	20% of the difference between the market value of assets and the expected value of assets recognized
Inflation	3.25%
Salary increase	4.00% average
Investment rate of return	7.50% for CERS

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

The long-term expected rate of return was determined by using a building-block method in which best- estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	17.50%	4.73%
Non US Equity	17.50%	6.71%
Global Bonds	10.00%	3.00%
Credit Fixed	17.00%	4.59%
Private Equity	10.00%	6.50%
Real Estate	5.00%	7.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	5.00%
Cash	3.00%	1.50%
	<u>100.00%</u>	<u>5.13%</u>

*Discount rate*—The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of proportionate share of net pension liability to changes in the discount rate*—The following table presents the net pension liability of the City, calculated using the discount rate of 6.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate :

	1% Decrease 5.25%	Current Rate 6.25%	1% Increase 7.25%
Non hazardous	\$ 669,641	\$ 531,927	\$ 416,547
Hazardous	\$ 7,180,923	\$ 5,731,283	\$ 4,532,885
	<u>\$ 7,850,564</u>	<u>\$ 6,263,210</u>	<u>\$ 4,949,432</u>

#### **NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

*Plan Description* – As more fully described in Note 8, the City participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

*Contributions* – As more fully described in Note 8, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2019, the employer's contribution was 5.26% to the insurance trust for non-hazardous job classifications and 10.47% for hazardous classifications. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries. For retirement purposes, employees are grouped into three tiers based on hire date:

**Tier 1**

Participation date	Before July 1, 2003
Insurance eligibility	10 years of service credit required
Benefit	Set percentage of single coverage health insurance based on service credit accrued at retirement

**Tier 1**

Participation date	Before September 1, 2008 but after July 1, 2003
Insurance eligibility	10 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually

**Tier 2**

Participation date	After September 1, 2008 and before December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually

**Tier 3**

Participation date	After December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2019, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Non hazardous	Hazardous	Total Net OPEB Liability
\$ 155,070	\$ 1,689,671	\$ 1,844,741

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2018 was as follows:

Non hazardous	Hazardous	Proportionate Share
0.009%	0.237%	0.079%

For the year ended June 30, 2019, the City recognized OPEB expense of \$10,711. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Nonhazardous		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 18,071	
Change of assumptions	30,970	\$ 358	
Change in investment experience	-	10,681	
Change in proportionate share of contributions	-	3,977	
	<u>30,970</u>	<u>\$ 33,087</u>	<u>\$ (2,117)</u>
Subsequent contributions	17,423		
Total	<u>\$ 48,393</u>		

	Hazardous		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 188,826	
Change of assumptions	518,513	\$ 4,622	
Change in investment experience	-	160,633	
Change in proportionate share of contributions	-	90,615	
	<u>518,513</u>	<u>\$ 444,696</u>	<u>\$ 73,817</u>
Subsequent contributions	123,831		
Total	<u>\$ 642,344</u>		

	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 206,897	
Change of assumptions	549,483	4,980	
Change in investment experience	-	171,314	
Change in proportionate share of contributions	-	94,592	
	<u>549,483</u>	<u>\$ 477,783</u>	<u>\$ 71,700</u>
Subsequent contributions	141,254		
Total	<u>\$ 690,737</u>		

The amount of deferred inflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30	Net Deferral
2020	\$ 75,666
2021	75,666
2022	(17,590)
2023	(58,707)
2024	(2,112)
Thereafter	(1,223)
	<u>\$ 71,700</u>

*Actuarial Assumptions* – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	27 years, closed
Payroll growth rate	4.00%
Asset valuation method	20% of the difference between the market value of assets and the expected value of assets recognized
Inflation	3.25%
Salary increase	4.00% average
Investment rate of return	7.50%
Mortality	RP-2000 Combined Mortality Table, Projected to 2013 with Scale BB (set back 1 year for females)
Healthcare trend decreasing to (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Healthcare trend (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the

target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocatio	Long-Term Expected
U.S. Equity	26.5%	9.56%
Non-U.S.	26.5%	2.84%
Fixed Income	12.0%	6.53%
Real Return	8.0%	3.68%
Real Estate	5.0%	8.99%
Absolute	10.0%	3.89%
Private Equity	10.0%	9.74%
Cash	2.0%	2.69%
Total	100%	

**Discount Rate** – The discount rate used to measure the total OPEB liability was 4.85%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**Sensitivity of the City's Proportionate Share of the Net OPEB Discount Rate** – The following presents the City's proportionate share of the net OPEB liability calculated using discount rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

CITY OF WILDER, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

	1% Decrease 4.85%	Current Rate 5.85%	1% Increase 6.85%
Non hazardous	\$ 201,412	\$ 155,070	\$ 115,596
Hazardous	2,348,726	1,689,671	1,162,080
Total	<u>\$ 2,550,138</u>	<u>\$ 1,844,741</u>	<u>\$ 1,277,676</u>

*Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate* – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Non hazardous	\$ 115,451	\$ 155,070	\$ 201,770
Hazardous	1,150,748	1,689,671	2,357,150
Total	<u>\$ 1,266,199</u>	<u>\$ 1,844,741</u>	<u>\$ 2,558,920</u>

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

**NOTE 9 – PRIOR PERIOD ADJUSTMENT**

The City adjusted its beginning fund balance and net position to recognize the OPEB liability and reconcile deferred revenue as follows:

	Fund Balance	Net Position
Beginning balance	\$ 2,934,952	\$ 5,522,176
OPEB liability		(1,621,076)
Other liabilities	17,072	17,063
Beginning balance, restated	<u>\$ 2,952,024</u>	<u>\$ 3,918,163</u>

**NOTE 10 – SUBSEQUENT BOND ISSUE**

Subsequent to year end the City issued \$6,200,000 in bonds to finance a new firehouse and to make improvements to the city park.

City of Wilder, Kentucky  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
General Fund  
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 1,679,000	\$ 1,679,000	\$ 2,145,546	\$ 466,546
Licenses and permits	2,384,300	2,384,300	2,398,873	14,573
Intergovernmental	113,200	113,200	99,542	(13,658)
Fines and forfeitures	1,550	1,550	3,313	1,763
Charges for services	100,170	100,170	98,685	(1,485)
Interest income	0	0	1,216	1,216
Other revenue	42,915	42,915	122,676	79,761
Total revenues	<u>4,321,135</u>	<u>4,321,135</u>	<u>4,869,851</u>	<u>548,716</u>
Expenditures				
Current				
General government	1,095,180	1,095,180	1,216,611	(121,431)
Public safety - police	1,477,996	1,477,996	1,270,445	207,551
Public safety - fire	1,611,596	1,611,596	1,428,277	183,319
Public works	895,947	895,947	272,481	623,466
Recreation	90,416	90,416	37,449	52,967
Capital outlay			935,765	(935,765)
Total expenditures	<u>5,171,135</u>	<u>5,171,135</u>	<u>5,161,028</u>	<u>10,107</u>
Excess (deficiency) of revenues over expenditures	<u>(850,000)</u>	<u>(850,000)</u>	<u>(291,177)</u>	<u>538,609</u>
Other financing sources (uses):				
Transfers out			(56,500)	56,500
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(56,500)</u>	<u>56,500</u>
Net change in fund balances	<u>(850,000)</u>	<u>(850,000)</u>	<u>(347,677)</u>	<u>595,109</u>
Fund balances - beginning	<u>850,000</u>	<u>850,000</u>	<u>1,819,626</u>	<u>969,626</u>
Fund balances - ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,471,949</u>	<u>\$ 1,471,949</u>



City of Wilder, Kentucky  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Municipal Road Aid Fund  
Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 61,952	\$ 1,952
Interest income	<u>372</u>	<u>372</u>	<u>271</u>	<u>(101)</u>
Total revenues	<u>60,372</u>	<u>60,372</u>	<u>62,223</u>	<u>1,851</u>
Expenditures				
Public works	<u>150,000</u>	<u>150,000</u>		<u>150,000</u>
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Excess (deficiency) of revenues over expenditures	<u>(89,628)</u>	<u>(89,628)</u>	<u>62,223</u>	<u>151,851</u>
Other financing sources (uses):				
Transfers out				<u>-</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(89,628)</u>	<u>(89,628)</u>	<u>62,223</u>	<u>151,851</u>
Prior period adjustment				
Fund balances - beginning	<u>103,246</u>	<u>103,246</u>	<u>108,995</u>	<u>5,749</u>
Fund balances - ending	<u>\$ 13,618</u>	<u>\$ 13,618</u>	<u>\$ 171,218</u>	<u>\$ 157,600</u>

City of Wilder, Kentucky  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Civic Center Fund  
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance
Revenues				
Interest income	\$ 11,900	\$ 11,900	\$ 8,773	\$ (3,127)
Total revenues	11,900	11,900	8,773	(3,127)
Deficiency of revenues over expenditures	11,900	11,900	8,773	(3,127)
Other financing sources (uses):				
Transfers in				0
Transfers out				0
Total other financing sources (uses)	0	0	-	-
Net change in fund balances	11,900	11,900	8,773	(3,127)
Fund balances - beginning	814,044	814,044	804,365	(9,679)
Fund balances - ending	\$ 825,944	\$ 825,944	\$ 813,138	\$ (12,806)

City of Wilder, Kentucky  
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure  
Non-hazardous

Schedule of City's Proportionate Share of the Net Pension Liability  
County Employees Retirement System

	2019	2018	2017	2016
Non-hazardous:				
City's proportion of the net pension liability	0.009%	0.009%	0.009%	0.028%
City's proportionate share of the net pension liability	\$ 531,927	\$ 523,871	\$ 459,900	\$ 434,023
City's covered employee payroll	\$ 304,636	\$ 317,190	\$ 328,421	\$ 290,528
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.61%	165.16%	140.03%	149.39%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	55.50%	53.32%	59.97%
Contracually required contribution	\$ 49,412	\$ 60,837	\$ 61,349	\$ 49,518
Contributions in relation to the contractually required contribution	49,412	60,837	61,349	49,518
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 304,636	\$ 317,190	\$ 328,421	\$ 290,258
Contributions as a percentage of covered-employee payroll	16.22%	19.18%	18.68%	17.06%

City of Wilder, Kentucky  
Multiple Employer, Cost Sharing, Defined Benefit Pension Plan Disclosure  
Hazardous

Schedule of City's Proportionate Share of the Net Pension Liability  
County Employees Retirement System

	2019	2018	2017	2016
City's proportion of the net pension liability	0.237%	0.255%	0.246%	0.230%
City's proportionate share of the net pension liability	\$ 5,731,283	\$ 5,716,068	\$ 4,229,536	\$ 3,264,744
City's covered employee payroll	\$ 1,536,014	\$ 1,420,754	\$ 1,343,561	\$ 1,287,633
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	373.13%	402.33%	314.80%	253.55%
Plan fiduciary net position as a percentage of the total pension liability	49.26%	53.95%	53.32%	59.97%
Hazardous				
Contractually required contribution	\$ 381,853	\$ 448,248	\$ 417,310	\$ 424,275
Contributions in relation to the contractually required contribution	381,853	448,248	417,310	424,275
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll	\$ 1,536,014	\$ 1,420,754	\$ 1,343,561	\$ 1,287,633
Contributions as a percentage of covered-employee payroll	24.86%	31.55%	31.06%	32.95%

City of Wilder, Kentucky  
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure  
Non-hazardous

Schedule of City's Proportionate Share of the Net OPEB Liability  
County Employees Retirement System

	<u>2019</u>
Non-hazardous:	
City's proportion of the net pension liability	0.009%
City's proportionate share of the net OPEB liability	\$ 155,070
City's covered employee payroll	\$ 331,236
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	46.82%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%
Contractually required contribution	\$ 17,423
Contributions in relation to the contractually required contribution	<u>17,423</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered employee payroll	<u>\$ 331,236</u>
Contributions as a percentage of covered-employee payroll	5.26%

City of Wilder, Kentucky  
Multiple Employer, Cost Sharing, Defined Benefit OPEB Plan Disclosure  
Hazardous

Schedule of City's Proportionate Share of the Net OPEB Liability  
County Employees Retirement System

	<u>2019</u>
Hazardous:	
City's proportion of the net pension liability	2.370%
City's proportionate share of the net OPEB liability	\$ 1,689,671
City's covered employee payroll	\$ 1,182,722
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	142.86%
Plan fiduciary net position as a percentage of the total OPEB liability	64.24%
Contractually required contribution	\$ 123,831
Contributions in relation to the contractually required contribution	<u>123,831</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered employee payroll	<u>\$ 1,182,722</u>
Contributions as a percentage of covered-employee payroll	10.47%



**MADDOX & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor  
Members of the City Council  
City of Wilder, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Wilder, Kentucky (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated October 31, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Wilder, Kentucky Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Maddox & Associates CPAs Inc.**

October 31, 2019

Fort Thomas, Kentucky